BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

---------In the Matter of-------- PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Investigate Implementing a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited.	DOCKET NO. 2008-0274

FILED

2009 APR 15 A 9:59

PUBLIC UTILITIES COMMISSION

THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S RESPONSES TO HECO COMPANIES' and CA's INFORMATION REQUESTS

AND

CERTIFICATE OF SERVICE

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THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S RESPONSES TO THE PARTY INFORMATION REQUESTS

The Department of Business, Economic Development, and Tourism ("Department" or "DBEDT"), by its Director ("Director") in his capacity as the Energy Resources Coordinator ("ERC"), through the undersigned Deputy Attorney General, hereby submits to the Hawaii Public Utilities Commission ("Commission" or "PUC"), its responses to the information requests (IRs) submitted by the Hawaiian Electric Companies ("HECO Companies") and by the Consumer Advocate ("CA") on April 6, 2009.

DBEDT's Responses to HECO Companies IR:

HECO-IR-1

Please provide the studies conducted by DBEDT that support item 7 of DBEDT's proposed considerations for a decoupling mechanism (page 6 of DBEDT's Opening Statement of Position on a Decoupling Mechanism for HECO/HELCO/MECO) that proposes a consideration of "…modifying ECAC such that the performance incentives currently built into the ECAC calculation be modified or eliminated if decoupling is enacted."

HECO-IR-1-DBEDT-Response:

HECO's Energy Cost Adjustment Clause (ECAC) is an automatic rate adjustment mechanism that allows the utility to automatically pass through to consumers 100% of the changes in fossil fuel prices and purchased energy costs. All the risk of fuel price volatility (100%) is borne by the ratepayers. However, the ECAC calculation for the fossil-based generation component uses one fixed efficiency factor (mbtu/kWh) for all the HECO generating units and is reset only during a general rate case. Using a fixed efficiency factor in the calculation of the ECAC simply means that when the utility runs their units more efficiently, the gains in efficiency (i.e., reduction in fuel oil used) and the resulting decrease in the utilities' generation cost is not passed-through nor shared with the ratepayers. DBEDT's position, to consider modifying the utilities' ECAC when decoupling is implemented, is based on the following:

1. DBEDT believes that the ECAC should be a complete pass through of the utility's energy costs and energy savings.

If the ratepayers bear 100% of the risks, they should also reap 100% of the savings from any reduction in the utility's fuel consumption. Conversely, if both the utility and the ratepayers share the risk of the fossil fuel price volatility, then both parties should also share the savings from any efficiencies achieved.

2. The utility maintains that the use of a fixed efficiency factor is to encourage efficient operation of the units. DBEDT believes that the utility should not be provided extra incentives to manage its operation efficiently. The ECAC already provides the utilities guaranteed recovery of their fuel costs.

3. The proposed decoupling mechanism, if adopted, would provide the HECO Companies annual automatic rate increases through the proposed Revenue Adjustment Mechanism (RAM), as well as guaranteed recovery through the proposed Revenue Balancing Account (RBA). The proposed decoupling mechanism insulates the utility from market risks while shifting the risks to the ratepayers. Thus, in addition to bearing all the risks under the ECAC provision, the ratepayers will also bear the risks under the proposed decoupling mechanism. Shifting all the risks to the ratepayers, while at the same time allowing the utilities to keep the savings

from operation efficiency is not in the public's best interest.

4. The Parties to the Energy Agreement supported the implementation of the decoupling mechanism to remove barriers to the utility aggressively pursuing and promoting energy efficiency and to increase the use and development of renewable energy resources in the utility's generation portfolio. Thus, embedding a utility incentive in a cost recovery mechanism for fossil fuel-based generation would continue to perpetuate the utility's desire to use fossil fuel-based generation.

DBEDT's Responses to the CA's IRs:

CA/DBEDT-IR-1:

In its March 30 Initial Statement of Position at page 6, DBEDT recommends, "Consideration of other provisions that safeguard the ratepayers' interest, such as a cap or limit on the increase in the total target revenue requirements, or a cap on the percent rate adjustment implemented each year." Please explain and quantify each dollar or percentage cap or limit that is believed by DBEDT to be reasonable and provide illustrative calculations with explanations showing how each proposed cap should serve to limit the RAM and/or RBA increases.

CA/DBEDT-IR-1-DBEDT-Response:

Besides the proposals reflected in the IR above, DBEDT's initial SOP also proposed adjusting the target revenue requirements based on performance metrics. The cap or limit suggested by DBEDT is to be based on the HECO Companies' achievement of the proposed performance metrics. An illustration of the use of the proposed metrics to determine the allowed target revenue requirement to be recovered by the utilities is provided in DBEDT's response to CA/DBEDT-IR-3.

CA/DBEDT-IR-2:

In its March 30 Initial Statement of Position at page 6, DBEDT recommends, "Consideration of modifying ECAC such that the performance incentives currently built into the ECAC be modified or eliminated if decoupling is enacted." Please explain and provide copies of each of the studies/analyses that have been performed by or for the DBEDT to evaluate modifications to the ECAC, indicating the dates each study/analysis was undertaken and the persons who performed such work.

CA/DBEDT-IR-2-DBEDT-Response:

Please see DBEDT's response to HECO-IR-1 above.

CA/DBEDT-IR-3:

In its March 30 Initial Statement of Position at page 7, DBEDT lists several, "performance metrics" that could be used for, "Adjusting the target revenue requirements based on performance metrics related to the achievement of the HECO Companies' commitments under the Energy Agreement." Please explain and describe with specificity how the individual numerical targets should be established, for each of the listed "performance metrics" in each year, describing the process and calculations to be used to update or modify such target values and translate performance into rate adjustments.

CA/DBEDT-IR-3-DBEDT-Response:

An illustration of the use of DBEDT's proposed performance metrics is set forth in an EXCEL file attached to this document. The target goals are based on the renewable energy commitments specified in Exhibit A of the Energy Agreement. The weights for each performance goal are provided for illustration purposes only to encourage discussion amongst the parties.

CA/DBEDT-IR-4:

To the extent not provided in response to CA/DBEDT-IR-1 through CA/DBEDT-IR-3, above, please provide complete copies of all other calculations, spreadsheet files, workpapers, surveys, documentation and other analyses supporting the conclusions and recommendations stated in your Initial Statement of Position.

CA/DBEDT-IR-4-DBEDT-RESPONSE:

Information requested is not available.

DATED: Honolulu, Hawaii, April 15, 2009.

GREGG J. KINKLEY
Deputy Attorney General

Attorney for the Department of Business, Economic Development, and Tourism

Docket No. 2008-0274 - Implementation of Decoupling Mechanism
DBEDT's Proposed Performance Metrics

FOR ILLUSTRATION ONLY - HECO ONLY

Performance Measures	Year 2010 Goals (MW)	Weights	Achieved (MW)	Allowed RAM
(A)	(B)	(C)	(D)	(E) = [(D/B) x (C)]
New NEM (MW)	5.0	25.00%	4.0	20.00%
Pay-as-you-save (MW)	2.0	25.00%	1.0	12.50%
New Renewable Energy through FiTs (MW)	6.5	25.00%	4.5	17.31%
Increase in Other Renewable Energy Generation (MW)[1]	155.0	25.00%	130.0	20.97%
Total	168.5	100.00%	139.5	70.78%
Total Calculated RAM				$1,000,000
Total Allowed RAM[2]				$707,754

[1] Source: Energy Agreement, Exhibit A. Total RE Generation + PV Host + Mandatory Solar Roofing.

[2] Total allowed RAM is for illustrative purposes.

Reference:

Col (B): Goals based on HECO's target goals in the Energy Agreement for Year 2010, Exhibit A.

Col (C): Assumed weights for illustrative purposes.

Col (D): Assumed achieved (MW) for illustrative purposes.

Col (E): Allowed RAM calculated by taking the achieved (MW) dividing by the target goal (MW) and multiplying by the assumed weight.

Certificate of Service

I hereby certify that I have served a copy of the Department of Business, Economic Development, and Tourism's Responses to Information Requests in Docket Number 2008-0274, by electronic transmission on the date of signature to each of the parties listed below.

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